

Charter School Block Grant

LEGISLATIVE ANALYST'S OFFICE

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Existing Block Grant Model Has Become Virtually Unworkable



The primary problem is a lack of consensus regarding which programs are in and out of the block grant.

- Our office and the Department of Education have interpreted statute as specifying several programs in the block grant that the Department of Finance has excluded when determining the block grant funding level.
- Statute offers little guidance as to how county-administered programs should be treated.
- Chapter 871, Statutes of 2004 (AB 825, Firebaugh), was silent as to how the six new block grants it established should be treated for charter school purposes.



A secondary problem is the block grant's overly complex funding formula.

- Measures all change from 1998-99.
- Is sensitive to changes in revenue limits.



Working Group Makes Some Progress Toward New Model



Working group agreed that the following principles should guide the development of a new model.

- The block grant calculation should be simple.
- The calculation and its outcome should be transparent.
- The calculation should result in comparable funding rates for charter schools and other public schools.
- Charter schools should retain existing flexibility to use block grant funds for general purposes.
- The calculation should entail as little administrative burden as practicable at the local level as well as the state level.
- The calculation should not require the state to overappropriate the Proposition 98 minimum guarantee.



Working group agreed new model should not lock in a base year.



Governor's Proposal Is Not Viable Reform Option

- ☑ The Governor's funding proposal provides the block grant with a \$10 million augmentation. This includes funding for 8 percent growth in average daily attendance (ADA), a 3.93 percent cost-of-living adjustment, and a \$2.9 million base augmentation (equating to about a 4 percent base increase).

- ☑ The Governor's policy proposal is to delink the block grant from any underlying set of categorical programs. The block grant therefore would no longer represent in-lieu funding for a set of specified categorical programs. Instead, the 2005-06 funding level would be adjusted in future years for growth in ADA and inflation.

- ☑ The Governor's policy proposal has two major problems.
 - It undermines the purpose of the block grant—stripping it of any rational policy basis.
 - It is very likely to be unworkable because it offers no direction as to which categorical programs charter schools would be required to apply for separately. Potentially, charter schools would be confused and/or attempt to double dip (that is, obtain program funding both through separate application and the block grant).



New Approach Would Achieve Simplicity, Clarity, and Comparability



We recommend the Legislature repeal the existing block grant model, reject the Governor's proposal, and adopt an alternative reform approach.



Alternative reform approach has four basic components.

- Statute would list the programs for which charter schools would not be eligible (six county-administered programs).
- Statute would list programs for which charter schools would have to apply separately (ten programs—including special education, child care, and adult education, as well as programs critical to state's accountability system).
- For all other categorical programs, charter schools would receive a share of in-lieu funding equivalent to the share of K-12 students they serve.
- After determining the total funding level for the charter school block grant, a weighting factor would be used such that charter schools would receive more per-pupil funding for low-income and English Language Learner students.



This approach is simple to understand, yields comparable charter and noncharter categorical funding rates, protects against an unintentional Proposition 98 overappropriation, creates incentives to serve disadvantaged students, remains dynamic such that it can respond to a changing array of categorical programs, and might become so automated and uncontroversial that the Legislature would not need to address the charter school finance system every year.